



## **TARIFF No. 106**

This Tariff Supersedes Tariff No. 105

**RULES AND REGULATIONS**

**GOVERNING THE**

**GATHERING AND TRANSPORTATION**

**OF**

**CRUDE PETROLEUM**

**BY**

**PIPELINE**

**GENERAL APPLICATION**

The rules and regulations published herein apply only under toll schedules making specific reference by number to this Tariff; such reference will include supplements hereto and successive issues hereof. The provisions of any Contract between Carrier and a Shipper will take precedence over these rules and regulations. These rules and regulations apply to all Shippers using Carrier's system and by Tendering Petroleum by or on behalf of a Shipper to Carrier's system or by delivering a Notice of Shipment to Carrier, each Shipper accepts these rules and regulations as a legally binding contract made among each Shipper, Carrier and each of Carrier's other Shippers on the terms contained herein and as they may be amended in any subsequent revisions which are, from time to time, issued by Carrier and notice of which is given to Shippers.

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**EFFECTIVE: July 1, 2018**

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Issued: June 1, 2018 by

**Inter Pipeline Ltd.**

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# **RULES AND REGULATIONS**

## **TABLE OF CONTENTS**

Article 1	Definitions
Article 2	Commodity
Article 3	Receipt and Delivery Facilities
Article 4	Quality Specifications
Article 5	Segregation and Changes in Quality
Article 6	Tenders, Quantities and Transfers
Article 7	Measurements, Testing and Deductions
Article 8	Application of Tolls
Article 9	Payment of Tariff Charges and Lien for Unpaid Charges
Article 10	Delivery and Acceptance
Article 11	Liability of Shipper
Article 12	Liability of Carrier
Article 13	Force Majeure
Article 14	Apportionment
Article 15	Petroleum Involved in Legal Disputes
Article 16	Claims, Suits and Time for Filing
Article 17	Representations and Warranties
Article 18	Governing Law
Article 19	Financial Assurances
Article 20	Diluent
Article 21	Non-Performance Penalty
Schedule "A"	Receipt Point Specifications
Schedule "B"	Quality Equalization Procedures and Charges

# RULES AND REGULATIONS

## ARTICLE 1 DEFINITIONS

Except where the context expressly states another meaning, the following terms, when used in this Tariff or in any Contract or the Toll Schedules into which this Tariff is incorporated, shall be construed to have the following meanings:

- 1.1 **"AER"** means Alberta Energy Regulator or its successor.
- 1.2 **"API"** means American Petroleum Institute.
- 1.3 **"Applicable Law"** means, with respect to any Person or property, all federal, provincial, state, municipal and local laws, treaties, statutes, ordinances, judgments, decrees, injunctions, writs and orders of any Government Authority (to the extent the Person or property is subject to the jurisdiction of such Government Authority) and rules, regulations, policies and guidelines (having the force of law), directives, interpretations, licenses, exemptions and permits of any Government Authority, in each case, having jurisdiction over the Parties or the subject-matter of this Tariff, as the same are in effect from time to time, and general principles of common and civil law and equity, binding or affecting the Person or property.
- 1.4 **"ASTM"** means American Society for Testing and Materials.
- 1.5 **"Business Day"** means any Day other than: (i) a Saturday or Sunday; or (ii) a Day on which Carrier's primary bank in the Province of Alberta is closed.
- 1.6 **"Carrier"** means Inter Pipeline Ltd., an Alberta based corporation.
- 1.7 **"Contract"** means an agreement between Shipper and Carrier for the transportation of Petroleum by Carrier, and includes a Nomination or Tender of Petroleum by Shipper which is accepted by Carrier.
- 1.8 **"Cubic Metre"** (m<sup>3</sup>) means a volume of 1,000.0 litres of Petroleum when such Petroleum is at a temperature of fifteen degrees Celsius (15 °C) and at a pressure of zero kiloPascals gauge. For reference, a barrel is equivalent to 0.1589873 cubic metres under the same conditions.
- 1.9 **"Day"** means a period of 24 consecutive hours, beginning and ending at 7:00 a.m. Mountain Standard Time. The reference date for any Day shall be the calendar date upon which the 24 hour period commences.
- 1.10 **"Deliver"** and any derivative thereof, means delivered by Carrier to Shipper at a Delivery Point.
- 1.11 **"Delivery Point"** means a location on Carrier's system at which Carrier has facilities to permit the Delivery of Petroleum.
- 1.12 **"ECON"** means Ministry of Energy and Resources under the Government of Saskatchewan, formerly referred to as the Ministry of Economy, or its successor.
- 1.13 **"Enbridge"** means Enbridge Pipelines Inc. or its associated entities, successors or assignees.

## RULES AND REGULATIONS

- 1.14 **"Enbridge Reference Temperature"** means for any period, the control temperature used by Enbridge to define the viscosity and density of crude oil received to deliver into the Enbridge system for such period, as published by Enbridge from time to time.
- 1.15 **"Financial Assurance"** means a Guarantee, a Letter of Credit, a prepayment or such other credit or performance assurance, in any case in a form that is acceptable to Carrier, acting reasonably.
- 1.16 **"Force Majeure"** shall have the meaning defined in Section 13.2.
- 1.17 **"Governmental Authority"** means any judicial, legislative, administrative or other national, provincial, municipal or local governmental authority, ministry, department, commission, any administrative agency, office, organization or authority having jurisdiction over the Parties or Carrier's system.
- 1.18 **"Guarantee"** means a continuing and irrevocable guarantee from a Canadian or U.S. Investment Grade Person.
- 1.19 **"Investment Grade Person"** means, in respect of a Person, that such Person's non-credit enhanced long-term issuer rating is rated by:
- (a) Standard & Poor's Financial Services LLC, a part of McGraw-Hill Financial, as BBB- or higher;
  - (b) Moody's Investors Service, Inc. as Baa3 or higher;
  - (c) DBRS Limited as BBB(Low) or higher; or
  - (d) Fitch Ratings, Inc. and/or Fitch Ratings, Ltd. as BBB- or higher;
- in each case including the respective successors of such rating agencies; provided, however, that if none of the foregoing rating agencies provide a rating of such Person's non-credit enhanced long-term issuer ratings, the then equivalent ratings to the foregoing ratings by any other internationally recognized credit rating agency that is acceptable to Carrier, acting reasonably, will apply. If rated by two (2) such agencies, at least one (1) of those ratings shall meet such specified standards and if rated by three (3) or more of such agencies, at least two (2) of those ratings shall meet such specified standards.
- 1.20 **"kiloPascal"** (kPa) means a pressure of 1,000.0 Pascals. For reference, a pound per square inch (psi) is equivalent to 6.89476 kiloPascals.
- 1.21 **"Letter of Credit"** means an irrevocable standby letter of credit issued by a Qualified Institution acceptable to Carrier, acting reasonably.
- 1.22 **"Measurement Instruments"** shall have the meaning defined in subsection 7.2(d).
- 1.23 **"Month"** means the period beginning at the first Day of a calendar month and ending at the start of the first Day of the next succeeding calendar month.
- 1.24 **"Monthly Nomination Date"** means the date specified in the Petroleum Industry Reporting Calendar issued by the Alberta Petroleum Marketing Commission, or any successor organization providing this information, or as specified by Carrier from time to time which in no event shall be later than 7:00 a.m. Mountain Standard Time on the Day which will coincide with the nomination schedule of Enbridge.

## RULES AND REGULATIONS

- 1.25 **"Nomination"** and any derivative thereof means, for a Month, the total volume of Petroleum proposed to be Tendered as specified in Shipper's Notice of Shipment.
- 1.26 **"Notice of Shipment"** means the form prescribed by Carrier to be used by Shippers in notifying Carrier, for a Month, of Shipper's proposed Tenders, proposed volume transfers between Shippers and requested Deliveries, as such form may be amended from time to time.
- 1.27 **"Party"** and any derivative thereof means Carrier or a Shipper.
- 1.28 **"Payment Due Date"** means the Day, of a Month in which Carrier issues an invoice pursuant to Section 9.1, specified in the Petroleum Industry Reporting Calendar issued by the Alberta Petroleum Marketing Commission, or any successor organization providing this information, as the Day by which payments are to be made.
- 1.29 **"Person"** means a natural person, firm, trust, partnership, limited partnership, corporation or Governmental Authority.
- 1.30 **"Petroleum"** means the liquid hydrocarbon product of oil wells, gas wells, oil or gas processing plants, oil sands, natural gas condensates or a mixture of such products.
- 1.31 **"Prime Rate"** means the rate of interest, expressed as a rate per annum, which is established as a reference rate for purposes of determining rates of interest charged by Carrier's primary banker on Canadian dollar commercial demand loans made by it in Canada which is quoted by such bank, from time to time, as its "prime rate".
- 1.32 **"Prudent Practice"** means those good, sound and professional practices, methods, techniques and standards that are commonly used by a significant portion of the industry under similar circumstances, in light of the facts known or that reasonably should have been known by prudent operators in the pipeline business in Canada, to design, construct, operate and maintain equipment in efficiently, economically, safely and in accordance with Applicable Laws with regard to equipment of a similar size, service and type used in pipelines similar to the Carrier's system.
- 1.33 **"Qualified Institution"** means a Canadian or U.S. First Class bank that maintains a Credit Rating of A- or higher from Standard & Poor's Rating Group, a division of McGraw-Hill Companies Inc. and its successors and assigns, or A3 or higher from Moody's Investors Service Inc. and its successors and assigns or A(low) or higher from DBRS Limited or its successors and assigns or A- or higher from Fitch Ratings, Inc. and/or Fitch Ratings, Ltd. or its successors and assigns. In the event the bank is rated by 2 or more credit agencies the lowest of those ratings will apply.
- 1.34 **"Receipt Point"** means a location on Carrier's system at which Carrier has facilities to permit Shipper to Tender Petroleum.
- 1.35 **"Shipper"** means a Person or its successors or permitted assigns who Contracts with Carrier for the transportation of Petroleum and shall include, where the context so requires, the owner or operator of the facility from which Petroleum will be Tendered to a Receipt Point.
- 1.36 **"Shipper's Balance"** shall have the meaning defined in subsection 7.4(a).
- 1.37 **"Tariff"** means the terms and conditions contained herein and the Toll Schedules, all as amended from time to time.

## RULES AND REGULATIONS

- 1.38 **"Tender"** and any derivative thereof, means the delivery by a Shipper to Carrier at a Receipt Point of a stated quantity and type of Petroleum for transportation from such Receipt Point to a Delivery Point.
- 1.39 **"Toll Schedule"** means the schedules of tolls published by Carrier from time to time or otherwise agreed to by Carrier and Shipper.
- 1.40 **"Working Stock"** means the volume of Petroleum to be provided by Shipper at no cost to Carrier for operational and scheduling purposes as determined by and specified from time to time by Carrier.

### ARTICLE 2 COMMODITY

- 2.1 This Tariff covers the transportation of Petroleum by Carrier and no commodity other than Petroleum will be transported under this Tariff.

### ARTICLE 3 RECEIPT AND DELIVERY FACILITIES

- 3.1 **Acceptance and Delivery** Carrier will accept Petroleum for transportation only when Tendered pursuant to Article 6 at a Receipt Point and Nominated for Delivery to Shipper or its consignee at one or more Delivery Points.
- 3.2 **Delivery Facilities** Petroleum will be accepted for transportation only when Shipper has provided or made arrangements for the necessary facilities and/or transportation service satisfactory to Carrier at the named Delivery Point for handling the Petroleum at the rate of flow at which Carrier is then operating its system at such Delivery Point.
- 3.3 **Receipt Facilities** Petroleum will be accepted for transportation only at a Receipt Point provided by Carrier. Unless provided by Carrier, Shipper shall provide and maintain, or cause to be provided and maintained, the following at Carrier's Receipt Points, in accordance with Prudent Practices in effect from time to time:
- (a) Facilities to Tender Petroleum at a pressure and rate of flow satisfactory to or specified by Carrier in its sole discretion;
  - (b) Storage tank(s) from which Petroleum will be Tendered (hereinafter referred to as shipping tanks) with sufficient working volume to contain a minimum of forty-eight (48) hours of average daily Tenders based on the average of the preceding three (3) months, as such Tenders may vary from time to time, to provide adequate weathering and settling of Petroleum prior to it being Tendered and to allow for scheduled and unscheduled maintenance of Carrier's facilities, or otherwise as agreed to or specified by Carrier in writing. Unless otherwise agreed to in writing by Carrier, the minimum size of tank from which Tenders will be accepted is 80 m<sup>3</sup> nameplate capacity;
  - (c) Piping between the shipping tanks and the Receipt Point facilities provided by Carrier, in which there shall be no branch connections for any other purpose whatsoever, of sizes and to locations satisfactory to or specified by Carrier;
  - (d) Nozzles and valves, capable of being sealed in the open or closed position, installed on the shipping tanks at locations and of sizes and types satisfactory to or specified by Carrier;

## RULES AND REGULATIONS

- (e) Level sensing transmitters, switches and other measurement devices installed in the shipping tanks at locations and of types satisfactory to or specified by Carrier which are subject to periodic operational checks at the sole discretion of the Carrier pursuant to subsection 7.2(e) of this Tariff;
- (f) Proper stairways and walkways must be constructed and maintained by Shipper in accordance with Prudent Practices to and between the shipping tanks as necessary to facilitate measuring and testing of Petroleum stored in them;
- (g) A thiefing hatch of a size and type satisfactory to or specified by Carrier installed on each shipping tank;
- (h) All weather access roads to the Receipt Point which Carrier shall be allowed full and free use of as required by Carrier for access to and the operation and maintenance of Carrier's Receipt Point facilities;
- (i) Space for placement of Carrier's Receipt Point facilities and for maintenance thereof satisfactory to or specified by Carrier, including but not limited to allowing third party electricity providers the ability to install and maintain any electrical facilities, as may be required, for the purpose of supplying power to the Carrier's Receipt Point facilities and allow for those facilities to be installed either aboveground and/or belowground; and
- (j) Unrestricted access to Carrier's Receipt Point facilities for the operation and maintenance thereof.

3.4 **Access to Shipper's Facilities** Carrier and its representatives, upon reasonable notice to Shipper, shall have the right to enter upon Shipper's or its Affiliates' owned or controlled premises where Petroleum is received or delivered by Carrier and shall have access to any and all facilities of the Shipper or its Affiliates for the purpose of making any examination, inspection, measurement or test provided for under the Tariff and/or required to verify compliance with this Tariff. In the event of termination of pipeline service, Shipper shall continue to provide space and access for Carrier's Receipt Point facilities until such time as the Carrier removes the Carrier's Receipt Point facilities.

3.5 **Carrier's Receipt Point Facilities** Unless otherwise agreed to in writing by Carrier, (i) Carrier shall provide and maintain the Carrier's Receipt Point facilities as defined by Carrier at its sole discretion and (ii) Carrier may subsequently modify the Carrier's Receipt Point facilities at its sole discretion.

### ARTICLE 4 PETROLEUM QUALITY SPECIFICATIONS

4.1 **Permitted Petroleum** Shipper shall not Tender and Carrier shall have no obligation to accept for transportation under this Tariff, any Petroleum which does not meet the specifications of Petroleum presented in Section 4.2. At any time Carrier may require that Shipper provide a certificate of analysis to identify the quantity or value of those characteristics, as specified by Carrier from time to time, of any Petroleum Tendered or proposed to be Tendered by Shipper.

4.2 **Specifications of Petroleum** Unless specifically authorized by Carrier in writing, Petroleum with any of the following characteristics shall not be Tendered under normal operating conditions and may be rejected by Carrier at its sole discretion, namely:

## RULES AND REGULATIONS

- (a) having at the Receipt Point a vapour pressure in excess of the limits specified by Carrier for each stream transported on Carrier's systems in accordance with Schedule "A" annexed to this Tariff. If it has been determined by Carrier by testing pursuant to subsections 7.3(g) and (j) of this Tariff that the Tendered Petroleum has a vapour pressure in excess of this specification then Carrier may, at its sole discretion, accept such Petroleum and may apply an adjustment to the volume Tendered, or an equivalent charge based on the volume adjustment and applicable stream value, not in excess of the following; (i) 2% if the vapour pressure is in excess of the specification by between 0 and 10 kPa; (ii) 4% if the vapour pressure is in excess of the specification by between 10 and 20 kPa; and, (iii) 6% if the vapour pressure is in excess of the specification by 20 kPa or more;
- (b) having at the Receipt Point a sediment and water content in excess of the limits specified by Carrier for each stream transported on Carrier's systems in accordance with Schedule "A" annexed to this Tariff. If the Tendered Petroleum has a sediment and/or water content in excess of this specification Carrier, at its sole discretion, may accept such Petroleum and may apply an adjustment to the volume Tendered, or an equivalent charge based on the volume adjustment and applicable stream value, not in excess of the difference between the sediment and water content of the Tendered Petroleum and this specification;
- (c) having at the Receipt Point a temperature greater than the limits specified by Carrier for each stream transported on Carrier's systems in accordance with Schedule "A" annexed to this Tariff unless otherwise specified or agreed to by Carrier in writing;
- (d) having at the Receipt Point a temperature less than the limits specified by Carrier for each stream transported on Carrier's systems in accordance with Schedule "A" annexed to this Tariff unless otherwise specified or agreed to by Carrier;
- (e) having at the Receipt Point a density, viscosity or sulphur content or other characteristics outside of the limits specified by Carrier for each stream transported on Carrier's systems in accordance with Schedule "A" annexed to this Tariff;
- (f) having at the Receipt Point a cracked petroleum (olefins) content in excess of the limits specified by Carrier for each stream transported on Carrier's systems in accordance with Schedule "A" annexed to this Tariff unless the Tenders containing cracked petroleum can be segregated pursuant to Section 5.4 of this Tariff or unless otherwise approved in writing by Carrier;
- (g) having at the Receipt Point a content of hydrogen sulphides (H<sub>2</sub>S), organisms, gases, waxes, impurities or other substances with physical, biological or chemical characteristics, in such quantities, that may render such Petroleum not readily transportable by Carrier, that may otherwise cause disadvantage to Carrier or that may interfere with the quantity or quality measurement of Petroleum under this Tariff unless permitted pursuant to the provisions of Schedule "A" or arrangements for their mitigation or compensation of Carrier have been arranged for between Carrier and any Shipper Tendering Petroleum containing such contaminants;
- (h) having at the Receipt Point any organic halides contents, including but not limited to organic chlorides, or any other objectionable substances which may be injurious to Carrier, objectionable to downstream carriers or Governmental Authorities or which may interfere with the quantity or quality measurement or transportation of Petroleum under this Tariff;



## RULES AND REGULATIONS

- (i) having at the Receipt Point a volatile phosphorous content in excess of the limits specified by Carrier for each stream transported by Carrier in accordance with Schedule "A", unless the Tenders containing volatile phosphorous can be segregated pursuant to Section 5.4 of this Tariff or unless otherwise approved in writing by Carrier;
- (j) having at the Receipt Point a total acid number (TAN) in excess of the limits specified by Carrier for each stream transported on Carrier's systems in accordance with Schedule "A" annexed to this Tariff. If the Tendered Petroleum has a TAN in excess of this specification then the Carrier, at its sole discretion, may accept such Petroleum and may apply an adjustment to the volume Tendered, or an equivalent charge based on the volume adjustment and applicable stream value, not in excess of the Tendered Petroleum multiplied by 3.8% multiplied by the difference between the TAN of the Tendered Petroleum and this specification; and,
- (k) having at the Receipt Point an excessive amount, in Carrier's sole discretion, of propane, butane, and/or other natural gas liquids.

4.3 **Specification Change Guidelines** Notwithstanding Section 4.2, Carrier shall have the right to make any reasonable changes to the specifications under Section 4.2 from time to time to comply with requirements of downstream carriers, to ensure measurement accuracy, for health and safety reasons, or to protect Carrier's personnel, capacity, pipeline, tankage and equipment by issuing revised specifications by giving written notice to Shippers to be effective: (i) on the first day of the Month next following the lapse of thirty (30) Days from the date of giving such notice; (ii) as required to comply with downstream carrier requirements; or (iii) as soon as reasonably possible if required to protect life, property or environment.

4.4 **Failure to Conform to Specifications** If Carrier determines that a Shipper has not complied at all times with the provisions of Section 4.2, as it may be amended, then upon notice from Carrier, the Carrier shall or such Shipper shall, if directed by Carrier at Carrier's sole discretion, at Shipper's sole cost and expense, remove the objectionable Petroleum and any Petroleum that may have been adversely impacted by its failure to comply with the provisions of Section 4.2 from Carrier's system and/or may apply penalties to a Shipper for such objectionable Petroleum, at Carrier's sole discretion. Furthermore, the Shipper shall be liable to and shall indemnify Carrier for the cost of any Petroleum purchased by Carrier and other costs incurred by Carrier in order to satisfy deliveries to other Shippers or to replace Working Stock or other Petroleum where such Shipper's Petroleum was commingled with other Petroleum.

4.5 **Failure to Remove Objectionable Petroleum** If a Shipper fails to remove the Petroleum from Carrier's system pursuant to the provisions of Section 4.4, then Carrier shall have the right to remove and sell such Petroleum in such manner as described in Section 9.7 Carrier shall pay from the proceeds of such sale all costs incurred by Carrier with respect to the storage, removal and sale of such Petroleum and Carrier shall be entitled to retain a reasonable pre-estimate of any damages, costs, expenses and other damages, costs and expenses incurred or anticipated to be incurred by Carrier in respect of such objectionable matter. The remainder of such proceeds, if any, shall be paid by Carrier to such Shipper. Carrier may take such further action and remedies as it deems appropriate to lessen or mitigate any adverse impact to Carrier or Carrier's system. In the event that the proceeds of the sale of such Petroleum are insufficient to cover all costs, expenses and damages incurred by Carrier, Shipper will be liable to Carrier for remaining unrecovered costs and damages.

## RULES AND REGULATIONS

- 4.6 **Liability for Receipt of Objectionable Petroleum** In the event that Carrier has accepted objectionable Petroleum for any reason, including but not limited to device or instrument error within Carrier's Receipt Point facilities, that the Carrier later determines does not comply with the provisions of Section 4.2, the Carrier is not liable to the Shipper for any costs pursuant to the provisions of Section 4.4. It is the Shipper's responsibility to ensure compliance with the provisions of Section 4.2. Shipper acknowledges that Carrier does not test all Petroleum prior to acceptance of the Petroleum by Carrier at a Receipt Point and that Carrier relies on the Shipper to ensure the Petroleum tendered complies with the provisions on Section 4.2. Carrier may require payment from the Shipper of additional charges and/or penalties for the terminalling, storage, handling, treatment, blending and/or disposal of objectionable Petroleum, both the Shipper's and any third party Petroleum that may also have become contaminated by the objectionable Petroleum.

### ARTICLE 5 SEGREGATION AND CHANGES IN QUALITY

- 5.1 **Delivery of Types of Petroleum** Carrier shall be under no obligation to make Delivery of the identical Petroleum received and shall make Delivery out of its common stock of the respective stream. Carrier reserves the right to commingle Petroleum received from a Shipper with the Petroleum of other Shippers.
- 5.2 **Alteration of Quality** Petroleum Tendered for transportation within a specific stream will be received by Carrier only on the condition that it shall be subject to such changes in density, sulphur or any other qualities while in transit as may result from the transportation thereof, or the mixture of said Petroleum with other Petroleum in Carrier's system. Carrier shall not be liable for any direct or indirect costs, losses or damages resulting from an alteration in density, sulphur or any other qualities of Petroleum transported by Carrier.
- 5.3 **Quality Equalization** Where in any Month, Petroleum with differing density or quality is Tendered to Carrier's system from two or more Shippers and blended together as a common stream, then Carrier may, but shall not be obligated to, provide quality equalization services to Shippers. In the event Carrier elects to provide such quality equalization services, such services shall be provided in accordance with the quality equalization procedures annexed to this Tariff as Schedule "B". If Carrier elects not to provide quality equalization services, at the request of Shipper and upon the consent of all other Shippers using the applicable segment of Carrier's system, Carrier shall provide Shipper, or Shipper's representative, with the volume and quality information in Carrier's possession applicable to all Tenders into the applicable segment of Carrier's system for each Month. Carrier may, by written notice to Shippers to be effective on the first day of the Month next following the lapse of thirty (30) Days from the date of giving such notice, amend or replace Schedule "B" to this Tariff. If any Shipper fails to pay any quality equalization adjustment amounts when due, Carrier may administer the rights and remedies provided in Article 9 of this Tariff. If there is a shortfall in the payments received by Carrier, the payments actually received by Carrier shall be allocated pro rata to Shippers entitled to a payment on the basis of each Shipper's relative share of entitlement.
- 5.4 **Segregated Movement** Notwithstanding the provisions of Section 5.2, if the Petroleum to be Tendered by a Shipper is of a type or quality, as identified by Carrier, not being currently transported on Carrier's system, but subject to such Petroleum meeting the requirements set out in Article 4, Carrier may, as operating conditions permit, at the request of such Shipper, attempt to segregate such Petroleum during transportation and to make Delivery of substantially the same type and quality of Petroleum at the Delivery Point. Carrier's obligation to accept Tenders of Petroleum of a type or quality not currently being transported on Carrier's system will be subject to the availability of Carrier's compatible receipt and delivery tankage as determined by Carrier in its sole discretion.

# RULES AND REGULATIONS

## ARTICLE 6 TENDERS, QUANTITIES AND TRANSFERS

- 6.1 **Monthly Nominations** On or before Carrier's scheduled Monthly Nomination Date or prior to Tendering any new or incremental volume of Petroleum, Shipper shall provide Carrier with a Notice of Shipment for the following Month, or a revised Notice of Shipment, showing the volume of Petroleum to be Tendered, the Receipt Points, the Delivery Points, consignees and type of Petroleum. If a Shipper fails to provide a Notice of Shipment, Shipper's Monthly Nomination will be deemed to be zero. When curtailments occur pursuant to Section 14.1, Shipper shall be deemed to have submitted a Monthly Nomination equal to its Monthly Nomination reduced proportionately by the level of curtailment. A Shipper shall, upon notice from Carrier, also provide written verification of the availability of its supply of Petroleum and of its capability to remove such Petroleum from any Delivery Point as may be required by Carrier. Carrier shall not be obligated to accept a Shipper's Notice of Shipment where such verification is, in the sole discretion of Carrier, unacceptable to Carrier.
- 6.2 **Balanced Nominations** Shipper shall provide a Notice of Shipment, or a revised Notice of Shipment, with the volume of Petroleum to be Tendered equal to the volume of Petroleum to be Delivered, including consideration for transfer volumes by Shipper. If such volumes are determined by Carrier to be unequal, Carrier will notify the Shipper of the variance and request prompt receipt of a revised Notice of Shipment. If a revised Notice of Shipment is not received within twenty-four hours, the Carrier may reduce the Tenders, Deliveries and/or permitted transfer volumes of such Shipper, at Carrier's sole discretion.
- 6.3 **Restriction of Tenders** If a Shipper is unable to remove from the Delivery Point the Nomination or the volume of Petroleum Tendered, Carrier may reduce the amount of Petroleum accepted from Shipper for transportation to the amount which Shipper has verified it will be able to remove from the Delivery Point.
- 6.4 **Late or Revised Nominations** If space is available and operating conditions permit, Carrier may, at its discretion, accept Nominations or revised Nominations after Carrier's scheduled Monthly Nomination Date.
- 6.5 **Working Stock** Each Shipper will provide its pro rata share of Working Stock by types and volumes of Petroleum as determined by Carrier from time to time for any portion of Carrier's system used or to be used to transport such Shipper's Petroleum unless the system in question is a single shipper system.. The pro rata calculation will be based on a Shipper's relative share of Tenders into the applicable segment of Carrier's system for the current Month. If the system operates as a single shipper system, the Carrier will provide the necessary Working Stock and may impose a working stock charge.
- 6.6 **Tenders by Tank Truck** Only those tank truck operators pre-approved by Carrier and party to a Terminal Access Agreement with Carrier shall be entitled to Tender Petroleum to a truck terminal Receipt Point provided by Carrier. Tenders of Petroleum by tank truck to a truck terminal Receipt Point provided by Carrier shall contain only Petroleum originating from a single well, battery or processing facility; only one custody transfer ticket will be issued for each tank truck delivery. Tank trucks shall be equipped with proper bottom loading and unloading facilities and pumps to permit the transfer of Petroleum with a minimum of delay. Carrier may, at its sole discretion, refuse to accept Tenders of Petroleum by tank truck when in the opinion of Carrier there exists a risk of; i) injury to a worker; ii) fire or explosion; iii) release of Petroleum; iv) release of dangerous or offensive odours; v) environmental damage; vi) inaccurate quantity or quality measurement due to improper tank truck equipment or lack of maintenance thereof; or, vii) when the driver

## RULES AND REGULATIONS

disregards good housekeeping practices or the procedures or instructions relative to tank truck unloading issued by Carrier from time to time.

- 6.7 **Uniform Tenders** Each Shipper shall endeavor to Tender its Nomination of Petroleum to Carrier in equal daily quantities over each Month. Carrier will normally accept Tenders at a Receipt Point at an hourly flow rate not exceeding one hundred twenty percent (120%) of the Nomination for such Receipt Point divided by the number of Days in the applicable Month divided by twenty-four (24) hours. Each Shipper shall also endeavor to Tender a consistent density and quality of Petroleum. In the event the quality of petroleum is not consistent, the Carrier may utilize spot sampling and testing and apply that crude quality for the duration of the time period in question. If Carrier is required to test and calibrate its meters more frequently than would normally be required, pursuant to Section 7.6, due to inconsistent Petroleum quality, the cost of such incremental testing and calibration shall be borne by Shipper.
- 6.8 **Delivery Flow Rates and Volumes** Carrier will make full stream Deliveries of Petroleum at Delivery Points at flow rates and volumes compatible with Carrier's system operations, provided that Carrier will Deliver Petroleum at a pressure not lower than 150 kPa or at pressures deemed appropriate by Carrier, at its sole discretion. Carrier will provide a Shipper with the forecast flow rates at any Delivery Point upon request.
- 6.9 **Transfers** Carrier may, upon written request of a Shipper following such Shipper's Tender, allow such Shipper to transfer its rights and obligations over a shipment to another Shipper at a location on Carrier's system specified or approved by Carrier provided that: (i) the successor Shipper satisfies the Financial Assurances requirement specified in Article 19; (ii) the successor Shipper assumes all obligations of the predecessor Shipper under this Tariff as of the time Carrier approves the transfer; (iii) the transfer request is confirmed in writing with equivalent volumes stated by both the transferor and transferee within one (1) Business Day of the transfer request; (iv) Carrier shall incur no liability for any direct or indirect for any losses or damages accruing to any Shipper arising from Carrier's acceptance or rejection of a transfer; and (v) Carrier has not rejected the transfer request. Carrier may charge each successor Shipper a transfer fee for each transfer to such Shipper that is paying less than a prescribed amount of transportation tolls on the segment of Carrier's system on which the transfer is made; both the transfer fee and the threshold at which the transfer fee becomes payable shall be specified in the applicable Toll Schedule. In the event that equivalent volumes are not stated in the transfer request by the transferor and transferee pursuant to subsection 6.9(iii), Carrier may reject the transfer request or alternatively may accept the transfer at an adjusted volume of Petroleum Tendered, at its sole discretion.
- 6.10 **Batch Size** A Tender for segregated Delivery in any Month will be accepted only when the total quantity covered thereby will be Tendered to Carrier at a Receipt Point for transportation within said Month in quantities (batch sizes) and at times to be specified or accepted by Carrier. A single batch Receipt or Delivery is a Receipt or Delivery in one continuous operation from or into a single facility to which Carrier's system is connected.
- 6.11 **Diversion and Reconsignment** Diversion or reconsignment to Carrier's Delivery Points may be made without charge if requested in writing by Shipper and received by Carrier prior to delivery at the original Delivery Point, provided operating conditions permit and upon the condition that no out-of-line or backhaul movement will be made.
- 6.12 **Termination of Service** In the absence of any provision to the contrary in a Contract, should the volume of Petroleum Tendered at a Receipt Point fall below the level required for the economic operation of the Receipt Point, as determined by Carrier at its sole discretion, or for any other reason as determined by Carrier in its sole discretion, Carrier

## RULES AND REGULATIONS

may terminate pipeline service immediately and subsequently remove its Receipt Point facilities. Following the termination of pipeline service, Carrier shall be provided with reasonable access for the removal of its Receipt Point facilities.

### ARTICLE 7 MEASUREMENTS, TESTING AND DEDUCTIONS

- 7.1 **Measurement Basis** The volumetric measurement base of all Petroleum shall be one (1) Cubic Metre (m<sup>3</sup>) with the final result of calculations expressed to the nearest one thousand (1/1000) of a Cubic Metre at fifteen degrees Celsius (15 °C) and at atmospheric pressure (0 kPag). All measurement, testing, calculating and reporting of Petroleum volume and quality characteristics shall be performed in accordance with the latest revision of the API Manual of Petroleum Measurement Standards, ASTM standards or other standards as may be adopted by Carrier from time to time unless specifically specified in Schedule "A" of this Tariff.
- 7.2 **Measurement Procedures and Instruments**
- (a) All Petroleum Tendered to Carrier shall be measured and tested by Carrier or a representative of Carrier. Shipper or a representative of Shipper may be present at the measuring and testing.
  - (b) If tank gauging is used for volume measurement, quantities will be computed from regularly compiled tank tables showing one hundred percent (100%) of the full capacity of the tanks. In the event that tank capacity tables specific to the tanks from which Petroleum is to be Tendered are not available, Carrier may require as a condition precedent to accepting Tenders that Shipper provide, or cause to be provided, tank capacity tables prepared in accordance with the API Manual of Petroleum Measurement Standards Chapter 2.2 (A or B) by an independent company at the expense of Shipper or the owner of such tanks. Carrier, at its discretion and upon reasonable notice to Shipper, shall be allowed to witness the tank strapping.
  - (c) If meters are used for volume measurement, they shall have the inherent capability to measure Petroleum with accuracy (reproducibility) of  $\pm 0.25\%$  and repeatability of  $\pm 0.05\%$  under normal operating conditions.
  - (d) All temperature measurement determinations shall be accurate to within  $\pm 0.25$  °C of a certified standard. All pressure measurement determinations shall be accurate to within  $\pm 30$  kPa of a certified standard. All density measurement determinations shall be accurate to within  $\pm 3.0$  kg/m<sup>3</sup> of a certified standard. All viscosity measurement determinations shall be accurate to within  $\pm 5.0$  cSt of a certified standard. All volume computation devices or software modules shall be properly configured and protected from reconfiguration by unauthorized personnel. All of the devices referred to in subsections 7.2(c) and (d) are hereafter referred to as Measurement Instruments. The accuracy of all Measurement Instruments shall be verified by Carrier at each time of meter proving.
  - (e) All Measurement Instruments shall be installed in accordance with the API Manual of Petroleum Measurement Standards, the appropriate sections of any manual which replaces this standard or commonly accepted industry practices. Where the installation is incapable of meeting the stated requirements or if measurement standards change over time, Carrier shall take remedial action to ensure achievement of the stated requirements by taking actions including but not limited

## RULES AND REGULATIONS

to: increased frequency of calibration or proving, upgrading or replacement of the existing Measurement Instruments or making adjustments to the measured volume.

- (f) All Measurement Instruments shall have provisions to be sealed in a manner which ensures measurement integrity. A Shipper and or Carrier shall have the right to install seals on any Measurement Instrument to ensure measurement integrity. Prior to the removal of any seal, the Party intending to remove the seal of another Party shall notify the other Party that the seal of such Measurement Instrument is to be removed.
- (g) Subject to the approval of Carrier, Shipper may install devices such as temperature, pressure or flow transmitters, signal transmitters or other signal monitoring devices at any Carrier site where it's Petroleum is measured, as Shipper may desire from time to time or on a permanent basis. All costs of such installation shall be at the expense of Shipper making the request.
- (h) The results of all measuring and testing by Carrier shall be final unless there is evidence of a Measurement Instrument malfunction in any measurement involving Petroleum Tendered or Delivered by or to a Shipper in which case Carrier and Shipper(s) affected shall negotiate appropriate adjustments on the following basis:
  - (i) If, after verification procedures are completed, the then existing calibration of the Measurement Instruments are found not to be in excess of the transmitter or analyzer limits in subsections 7.2(c) or (d) or are found to cause the volume measurement to be in error not in excess of  $\pm 0.25\%$ , after giving due consideration to the impact that any variations in the density, viscosity, temperature or flow rate of the Petroleum Tendered from test to test may have had on measurement error, previous quantities calculated by such equipment shall be considered correct but such equipment shall be adjusted at once to read accurately.
  - (ii) If, after verification procedures are completed, the then existing calibration of the Measurement Instruments are found to be in excess of the transmitter or analyzer limits in subsections 7.2(c) or (d) or are found to cause the volume measurement to be in error by any amount greater than  $\pm 0.25\%$ , after giving due consideration to the impact that any variations in the density, viscosity, temperature or flow rate of the Petroleum Tendered from test to test may have had on the measurement error, then such equipment shall be adjusted at once to read accurately and any previous calculated volumes shall be corrected to zero error for any period during which such error is known definitely or is agreed upon to have occurred. Where the error period is not known definitely or agreed upon, such correction shall be for a period covering the last half of the time elapsed since the date of the last test. Carrier shall resolve the re-work or adjustment by recalculation and reallocation of volumes or as otherwise agreed to between the Parties affected.

7.3 **Custody Transfer Tickets** All measurement of Petroleum Tendered or Delivered for each Month shall be documented with custody transfer tickets, or the electronic equivalent, showing the location and dates of Tendering or Delivery to which the custody transfer ticket applies, the metered or gauged volume, the weighted average density, weighted average sediment and water, deductions for sediment and water, any other volumetric corrections or adjustments provided for in this Tariff and the calculated Tendered or Delivered volume in accordance with the following:

## RULES AND REGULATIONS

- (a) Carrier shall correct the measured density and volume of Petroleum Tendered or Delivered from the actual temperature of such Petroleum to 15 °C by use of the API Manual Petroleum Measurement Standards, Chapter 11 (applicable sections and latest revision).
- (b) Carrier shall correct the metered volume of Petroleum Tendered or Delivered by the meter calibration factor derived from periodic proving of the meter and, for compressibility by the use of API Manual of Petroleum Measurement Standards, Chapter 11.2.2 M (latest revision).
- (c) Carrier shall determine the percentage of sediment and water in the Petroleum Tendered or Delivered and shall deduct from the measured volume of Petroleum the volume of sediment and water therein and Carrier may, at its sole discretion, apply the penalty adjustment specified in subsection 4.2(b).
- (d) Carrier may, as deemed necessary by Carrier, adjust the measured volumes of Petroleum for blending shrinkage determined in accordance with API Manual of Petroleum Measurement Standards, Chapter 12.3 (latest revision) or other method as may be determined by Carrier.
- (e) Carrier may, as deemed necessary by Carrier, determine and apply a weathering adjustment factor to the measured volume of Petroleum if the Petroleum Tendered was insufficiently weathered.
- (f) Carrier may, as deemed necessary by Carrier, determine the kinematic viscosity of Petroleum Tendered or Delivered.
- (g) Carrier may, as deemed necessary by Carrier, determine the vapour pressure of the Petroleum Tendered or Delivered and may, at its sole discretion, apply the adjustment specified in subsections 4.2(a).
- (h) Carrier may, as deemed necessary by Carrier, determine and apply an adjustment to the measured volume of Petroleum Tendered or Delivered if the temperature, density, viscosity or any other characteristic of the Petroleum has shifted or fluctuated, during the period of time covered by the custody transfer ticket, to such an extent as to materially affect the accuracy of measurement.
- (i) Carrier may, at its sole discretion, charge a pipeline loss allowance, at a rate to be specified in the applicable Toll Schedule, to cover losses, shrinkage and evaporation inherent in the transportation of Petroleum by pipeline. The pipeline loss allowance charge may be specified as a toll charge on the total of each Shipper's Tenders or as a volumetric deduction from the total of each Shipper's Tenders.
- (j) The determination of any of the Petroleum quality parameters prescribed in this Article 7 may be determined by testing a proportionate sample of the Petroleum Tendered. Such sample is to be collected by a proportional sampler installed and operated in accordance with the API Manual of Petroleum Measurement Standards, Chapter 8 (applicable sections and latest revision), if provided by Carrier as part of the Receipt Point or Delivery Point facilities, and the results of such testing shall be deemed to represent the quality of all the Petroleum Tendered or Delivered. In the absence of a proportional sampler Carrier shall test spot samples taken at intervals determined to be reasonable by Carrier, at its sole discretion. Such testing results shall be used by Carrier, acting reasonably under its

## RULES AND REGULATIONS

sole discretion, to deem the representative quality of all the Petroleum Tendered during the period of time covered by the custody transfer ticket.

### 7.4 **Shipper's Balance**

- (a) Carrier shall account to each Shipper for each Month for one hundred percent (100%) of the volume of Petroleum Tendered for its account by generating a report of Shipper's opening inventory, required Working Stock, Tenders, transfers, deductions, adjustments, Deliveries and closing inventory ("Shipper's Balance"). A separate Shipper's Balance shall be issued to each Shipper relative to such Shipper's transactions only.
- (b) If any error or omission shall occur in a Shipper's Balance or other report issued by Carrier, Carrier shall use all reasonable commercial efforts to correct and reissue the Shipper's Balance or other report within three (3) Business Days following notification by Shipper, or realization by Carrier, that an error or omission exists in the report. Carrier will use all reasonable commercial efforts to advise all affected parties of the required revisions as soon as practical. Revisions which are not shown for the current Month will be reflected in the Shipper's Balance or other report for the next following Month.

7.5 **Access Rights** Carrier's representative shall have the right to enter upon Shipper's premises where Petroleum is stored and have access to any and all shipping tanks for the purpose of making any examination, inspection, sample collection, measurement or test provided for under this Tariff.

7.6 **Meter Proving** All calibration, testing and adjustment (in Sections 7.6 and 7.7 collectively referred to as "proving") of meters shall be carried out by Carrier or a representative of Carrier. Carrier shall establish a schedule of meter proving commensurate with the type and size of meter, quality and flow rate of Petroleum metered and historical meter calibration factor variability. In any case, proving of a meter shall be conducted at a frequency of not greater than once per calendar quarter and at any other time upon request of a Shipper, such proving to be at the cost of Shipper if an error of less than the range specified in subsection 7.2(c) is found. When in batch service, proving of meters shall be conducted for each batched commodity, as soon as practical after the commencement of a new batched commodity and at a frequency thereafter of not greater than thirty-five (35) Days of the previous proving and at any other time upon request of a Shipper, such proving to be at the cost of Shipper if an error of less than the range specified in subsection 7.2(c) is found. For any meter that is proved, if the composite meter calibration factor from proving to proving changes by greater than  $\pm 0.25\%$ , and if such a change is confirmed by a second proving, the meter shall be promptly taken out of service for inspection or repair. Due consideration shall be given to any variations in the density, viscosity, temperature or flow rate of the Petroleum Tendered or Delivered from proving to proving in applying the foregoing thresholds for determining which Party shall bear the cost of meter proving or for initiating meter inspection or repair. Reasonable prior notice of the time and nature of the proving of a meter shall be given to those Shippers requesting such notification who Tender or Deliver Petroleum to or from the meter on which proving is to be conducted to permit such Shippers or their representatives to be present.

7.7 **Meter Prover Calibration** All meter provers used for proving meters shall be calibrated using the water draw method in accordance with the latest revision of API Manual of Petroleum Measurement Standards Chapter 4, Chapter 11.2.2, and Chapter 12.2, and the AER Directive 017 and ECON Directive 017, as applicable. Prover calibration frequency must always comply with the higher calibration interval. Currently, for portable provers, the calibration intervals must meet the requirements pursuant to the latest revision of the



## RULES AND REGULATIONS

applicable AER and ECON directives, which currently state the required calibration frequency is biannually (once every two years) and for stationary provers they shall be calibrated at intervals not exceeding four (4) years. Shippers shall have the right to witness any and all proving or verification of Measurement Instruments.

### ARTICLE 8 APPLICATION OF TOLLS

- 8.1 **Effective Tolls** Petroleum accepted for transportation shall be subject to the tolls in effect on the date of Tender of such Petroleum by a Shipper to Carrier in accordance with the applicable Toll Schedule, irrespective of the date of Nomination or Delivery.
- 8.2 **Toll Attribution** The tolls charged to a Shipper shall be allocated as to volume of Petroleum and types of Petroleum in accordance with the applicable Toll Schedule.

### ARTICLE 9 PAYMENT OF TARIFF CHARGES AND LIEN FOR UNPAID CHARGES

- 9.1 **Tariff Charges** Shipper shall pay to Carrier all charges, tolls, costs and adjustments as provided in this Tariff or any Contract for the previous Month's Tendered volume of Petroleum on or before the Payment Due Date.
- 9.2 **Invoicing** Carrier will provide Shipper a Monthly invoice by the date such information is to be available according to the Alberta Petroleum Marketing Commission's published schedule, or any successor organization providing this information, detailing: (i) the tolls payable to Carrier pursuant to this Tariff for Shipper's Tenders and Contract obligations, if applicable, during the previous Month; and (ii) any other charges for which Shipper is liable under this Tariff or Shipper's other obligations. Carrier may deliver such invoices by mail, courier, facsimile, electronic data interchange or other acceptable means as may be agreed to by Shipper and Carrier.
- 9.3 **Lien on Petroleum** In addition to any other remedies available to Carrier at law, in equity, or under this Tariff, Carrier shall have a lien on all Petroleum in its possession belonging to a Shipper to secure the payment of any and all unpaid transportation or other lawful charges that are due Carrier, and unpaid by such Shipper, and Carrier may withhold such Petroleum from Delivery or transfer to another Shipper until all unpaid charges have been paid.
- 9.4 **Failure to Pay** Should a Shipper fail to pay any amount of any invoice as herein provided, on or before the Payment Due Date, interest on the unpaid portion of the invoice accrues daily at a rate of interest per annum equal to the Prime Rate plus two percent (2%) and the principal and accrued interest to date shall be payable and due immediately upon demand. If such failure to pay continues for ten (10) Days, or more, after the Payment Due Date, Carrier, in addition to any other remedy it may have under this Tariff, at law, or in equity, may suspend further receipt of Petroleum from such Shipper until such amount is paid or acceptable Financial Assurances are provided.
- 9.5 **Disputed and Inaccurate Amounts**
- (a) If Carrier determines, acting reasonably, that an invoice previously delivered to Shipper was inaccurate, Carrier may deliver an adjusted invoice to Shipper.

## RULES AND REGULATIONS

(b) If there is a dispute as to the amount due under any Monthly invoice, the Shipper must make full and timely payment of the undisputed portion of the subject invoice, and shall concurrently provide written notice of the nature, extent, and details of the dispute to Carrier within ten (10) Business Days from the date the invoice is received by Shipper. Both Parties shall work together to investigate and resolve any dispute, and upon resolution, any amount determined to be due or credited shall be paid promptly with interest at a rate equal to the Prime Rate plus two percent (2%) per annum, compounded monthly, from and after the Payment Date until paid in full. Both Parties shall continue to work together in good faith to resolve the dispute and any amount determined to be due or credited shall be paid promptly upon resolution.

9.6 **Taxes** The Parties acknowledge that the amounts payable by Shipper pursuant to this Tariff or any Contract are exclusive of any sales tax, GST and any other like value-added taxes payable. Each Party shall be responsible for the payment of all sales and value-added taxes, including GST, that are due in respect of all amounts payable by it under this Tariff or any Contract, and any such tax shall be paid by such Party when and as it is due to be paid under Applicable Law, and in the case of GST, as provided in Part IX of the Excise Tax Act (Canada). Each Party represents and warrants to the other that it is a registrant and will continue to be a registrant in accordance with the provisions of the Excise Tax Act (Canada) for the term.

9.7 **Right to Sell** If amounts remain unpaid ten (10) Days after Payment Due Date and Financial Assurances have not been provided, Carrier shall have the right to sell any Petroleum of Shipper which is then in the custody of Carrier or otherwise traceable and alienable by Carrier, at public auction from any office of Carrier on any Business Day, provided that the auction takes place not less than two (2) Business Days after publication of notice of such sale in a daily newspaper of general circulation published in the City of Calgary, stating the Day, time, place of sale, quantity and location of Petroleum to be sold. Shipper covenants and agrees not to dispose of its Petroleum other than subject to the lien afforded Carrier hereby. At said sale Carrier shall have the right to bid and, if the highest bidder, to become the purchaser. From the proceeds of said sale Carrier will deduct the transportation, equalization obligations, negative Shipper's Balance positions and all other lawful charges under this Tariff or the Contract not received by Carrier, whether or not due, as of the Day of sale, including reasonable storage charges pending sale and expenses incident to said sale, and the balance remaining, if any, shall be held in trust by Carrier for whomever may be lawfully entitled thereto, without the obligation to pay interest thereon. Any such trust funds may not be commingled in any other account or accounts maintained by Carrier from time to time for a period of one year from the Day of sale.

### ARTICLE 10 DELIVERY AND ACCEPTANCE

10.1 **Obligation to Remove** Carrier will transport Petroleum with reasonable diligence and dispatch and Shipper or consignee shall upon twenty-four (24) hours notice from Carrier accept and remove its Petroleum (other than Working Stock) from the facilities of Carrier upon Delivery of the Petroleum.

10.2 **Failure to Remove** If Shipper or consignee fails to remove its Petroleum from the facilities or custody of Carrier upon Carrier's Delivery at a Delivery Point, then Carrier shall have the right to remove and sell such Petroleum upon expiration of the 24-hour notice period in such manner as described in Section 9.7. Carrier shall not be liable to Shipper or consignee for any loss or damage suffered by Shipper or consignee arising out of such disposition. Carrier shall pay from the proceeds of such sale all costs incurred by Carrier with respect to the storage, removal and sale of such Petroleum. The remainder of such

## RULES AND REGULATIONS

proceeds, if any, shall be held by Carrier for Shipper and any other party lawfully entitled to such proceeds. Alternatively, or in addition, if the Petroleum has not been removed, commencing on expiration of the 24-hour notice period, at Carrier's discretion, Shipper may be subject to a demurrage charge on all such Petroleum not so removed.

- 10.3 **Inventory Shortfall** In the event that a Shipper's monthly closing inventory is less than their pro rata share of Working Stock, at Carrier's discretion, the Shipper may be subject to a demurrage charge on the volume of Petroleum deficient of their required pro rata share of Working Stock.
- 10.4 **Storage** At the request of Shipper, Carrier may, in its sole discretion, provide storage for Petroleum upon such terms and conditions as specified by Carrier from time to time.

### ARTICLE 11 LIABILITY OF SHIPPER

- 11.1 If the failure by a Shipper to remove Petroleum from Carrier's facilities at a Delivery Point causes disruption of Carrier's operations, such Shipper shall be solely responsible for all costs or losses to Carrier associated with such disruption, including loss of revenue resulting therefrom, unless the non-removal of such Petroleum is due to the gross negligence of Carrier or results from an event of Force Majeure.
- 11.2 Shipper shall indemnify Carrier for any direct or indirect costs, losses or damages incurred by Carrier or any other party as a result of such Shipper's failure to comply with any provision of this Tariff, unless Shipper's failure to comply is due to the gross negligence of Carrier or an event of Force Majeure claimed by Shipper.
- 11.3 Shipper shall pay or cause to be paid any and all taxes, duties, charges, levies or any other assessments made or imposed by any Governmental Authority having jurisdiction with respect to the Petroleum to be transported by Carrier and shall indemnify and save harmless Carrier from any such taxes, duties, charges, levies or assessments so made or imposed.
- 11.4 Subject to the Force Majeure provisions hereunder, if a Shipper fails to perform any of the covenants or obligations imposed upon it under this Tariff, then in addition to any other remedies that Carrier may have hereunder, at law or in equity, Carrier may, at its option, cancel any Contract in accordance with its terms and suspend performance of its obligations to transport such Shipper's Petroleum by proceeding as follows: Carrier may immediately suspend further Tenders and shall cause a written notice to be served on such Shipper stating specifically the default under this Tariff; thereupon the Shipper in default shall have ten (10) Days after the service of the aforesaid notice in which to remedy or remove the cause or causes stated in the default notice. If within the said ten (10) Day period the Shipper in default does not remove or remedy said cause or causes, then Carrier may immediately thereafter cancel any Contract in accordance with its terms and suspend performance of its obligations to such Shipper until the default is remedied to the satisfaction of Carrier.
- 11.5 No waiver by Carrier or a Shipper of any one or more defaults by the other in the performance of any provisions of this Tariff shall operate or be construed as a waiver of any continuing or future default or defaults, whether of a like or different character.
- 11.6 Shipper shall be liable to Carrier for any and all direct and indirect costs, losses or damages resulting from or arising from errors or omissions that occur in the provision or non-

## **RULES AND REGULATIONS**

provision of information provided by interconnection of Carrier's and Shipper's facility control systems ("signals") or in the signals provided or not provided to Carrier.

### **ARTICLE 12 LIABILITY OF CARRIER**

- 12.1 Carrier shall not be liable to a Shipper for any direct or indirect costs, losses, damages, or delays caused by an event of Force Majeure. Carrier shall not be responsible for the transportation of Petroleum during periods when Carrier's system is out of service and Carrier shall not be obligated to compensate Shipper for any cost of alternate transportation that may be incurred by Shipper.
- 12.2 If damage to or loss of Petroleum results other than from any act of gross negligence of Carrier, while Carrier is in possession or control of such Petroleum, then Carrier may apportion the cost of such damage or loss on a pro rata basis among all Shippers using that line segment of Carrier's system at the time of such damage or loss. Each Shipper's share of such cost of damage or loss shall be determined by Carrier based on the proportion of the volume of such Shipper's Petroleum in such line segment in the possession of Carrier on the date of such damage or loss to the total volume of Petroleum in the possession of Carrier in such line segment on the date of such damage or loss.
- 12.3 As an alternative to determining and charging for the loss of Petroleum in accordance with Section 12.2, Carrier may Deliver only that portion of Shipper's Tenders as may remain after deduction of its proportion of such damage or loss, and Shipper will be required to pay charges only upon the quantity of Petroleum Delivered.
- 12.4 Notwithstanding anything elsewhere contained in this Article 12 to the contrary, Carrier shall in no case be liable to Shipper for any direct or indirect costs, losses or damages suffered by Shipper, or those for whom Shipper is acting hereunder, as a result of Carrier's right to report and Deliver amounts of Petroleum that differ from those Nominated in the Notice of Shipment form, as set out in Section 6.1, including but not limited to:
- (a) any lost profits, revenues or capital sustained by Shipper or those for whom Shipper is acting hereunder, as a result of the shutting-in of wells or the loss of market for Shipper's Petroleum; and
  - (b) any claims due to any failure by Carrier to take receipt of or Deliver the amount of Petroleum indicated by Shipper in the Notice of Shipment form, any cancellation of permits, termination of contracts or penalties and damages under contracts occasioned thereby against a Shipper, or those for whom Shipper is acting hereunder, and Shipper does hereby indemnify and agrees to hold Carrier harmless from and against all liabilities or losses arising from or related to any such contracts.
- 12.5 Carrier shall not be liable to Shipper for any errors or omissions that occur in the provision or non-provision of information provided by interconnection of Carrier's and Shipper's facility control systems ("signals") or in the signals provided or not provided to Shipper and Shipper expressly waives its rights, if any, to all claims, demands, actions, suits or other proceedings whatsoever in respect of direct or indirect damages, injury or loss of life or of property which Shipper may have or claim against Carrier arising out of or connected in anyway with the provision or non-provision of the signals or the actual signals either received or not received by Shipper and Shipper shall be solely liable for any and all direct or indirect costs, losses or damages resulting therefrom.

# RULES AND REGULATIONS

## ARTICLE 13 FORCE MAJEURE

- 13.1 If either Carrier or Shipper fails to perform any obligation under this Tariff due to an event of Force Majeure, then such failure shall be deemed not to be a breach of such obligations.
- 13.2 The term "Force Majeure", as employed herein shall mean:
- (a) any act of God, war, terrorism, civil insurrection or disobedience, acts of public enemy, strikes, lockouts or other industrial disturbances, accidents, blockades, riots, epidemics, landslides, lightning, earthquakes, explosions, fires, floods, civil disturbances, the act, regulation, order, direction or requisition of any Governmental Authority
  - (b) any mechanical or equipment failure including without limitation, freezing of pipelines or pumps or obstructions of pipelines or appurtenances thereto; or
  - (c) any other cause whether of the kind enumerated in subsections 13.2(a) or (b), or otherwise, which is beyond the reasonable control of the applicable Party and which could not have been prevented or overcome by the exercise of due diligence.
- 13.3 Notwithstanding Sections 13.1 and 13.2, the following shall not be events of Force Majeure:
- (a) insufficiency of Shipper's Petroleum supplies; or
  - (b) lack of funds; or
  - (c) Shipper's lack of takeaway capacity at the Delivery Point.
- 13.4 A Party that fails to perform any obligation under this Tariff where such failure is caused by an event of Force Majeure shall promptly remedy the cause of the Force Majeure insofar as it is reasonably able to do so, provided that the terms of the settlement of any strike, lockout or other industrial disturbance shall be wholly in the discretion of the Party claiming suspension of its obligations hereunder by reason thereof.
- 13.5 Notwithstanding Section 13.2 through Section 13.4, no event of Force Majeure shall:
- (a) relieve any Party from any obligation pursuant to this Tariff unless such Party gives notice with reasonable promptness of such event to the other Party; for greater clarity, notice in respect of Carrier's mechanical or equipment failure shall be required to be given only after the first forty-eight (48) hours of such failure; or
  - (b) relieve any Party from any obligation pursuant to this Tariff after the expiration of a reasonable period of time within which, by the use of its due diligence, such Party could have remedied or overcome the consequences of such event of Force Majeure.
- 13.6 No event of Force Majeure shall relieve any Shipper from its obligations pursuant to this Tariff to make payments to Carrier.

# RULES AND REGULATIONS

## ARTICLE 14 APPORTIONMENT

- 14.1 **Allocation of Capacity** Following the receipt by Carrier of all Nominations for a Month, Carrier shall determine, at its sole discretion, the capacity available in that Month ("**Available Capacity**"). In the event that Nominations for the Month exceed Available Capacity, then, having regard to the operating conditions of Carrier's system and rights or limitations of individual Contracts, the Available Capacity shall be allocated by Carrier, at its sole discretion. Carrier may restrict or suspend Tenders in order to apportion capacity among all Shippers with due consideration given to the current operating conditions of Carrier's system and any priority accorded to any Shippers pursuant to Contracts. Subject to the foregoing, capacity will be allocated pro rata based on Nominations.
- 14.2 **Supply Verification** Shipper shall, upon notice from Carrier, provide written verification of the availability of its supply of Petroleum and of its capability to remove such Petroleum from any Delivery Point as may be required by Carrier. If such verification is for a volume less than Shipper's Nomination then Carrier shall reduce Shipper's Nomination to the volume of its verified supply prior to allocation of Available Capacity. Carrier shall not allocate capacity to a Shipper greater than such Shipper's verified capability to remove such Petroleum from any Delivery Point,
- 14.3 **Revised Notice of Shipment** Within one (1) Business Day following notice by Carrier to Shipper of the allocation of Available Capacity, Shipper shall provide Carrier with a new Notice of Shipment reflecting the Available Capacity that has been allocated to Shipper.
- 14.4 **Reallocation of Capacity** If during the course of a Month the capacity available is determined by Carrier to be greater or less than the Available Capacity, Carrier shall reallocate the revised Available Capacity in accordance with the foregoing procedures.
- 14.5 **Carrier Not Liable** Carrier will not be liable to a Shipper for any direct or indirect costs, losses or damages due to such apportionment. Carrier will, on a reasonable efforts basis, endeavor to remove such restrictions as soon as practical in accordance with internal economic assessments and reasonably prudent industry practice.

## ARTICLE 15 PETROLEUM INVOLVED IN LEGAL DISPUTES

- 15.1 Petroleum which is in any way subject to litigation, or the ownership of which may be in dispute, or which is subject to a lien, other than pursuant hereto, or charge of any kind, may not be accepted for transportation unless and until the Shipper whose Petroleum is the subject of such litigation, dispute, lien or charge shall furnish a bond or other form of indemnity satisfactory to Carrier protecting Carrier against any liability or loss arising as a result of such litigation, dispute, lien or charge. Shipper shall notify Carrier with reasonable promptness should any of its Petroleum be subject to any such litigation, dispute, lien or charge.

## ARTICLE 16 CLAIMS, SUITS AND TIME FOR FILING

- 16.1 As a condition precedent to recovery, claims for loss, damage or delay in connection with the transportation of Petroleum Tendered for shipment under this Tariff must be submitted in writing to Carrier within thirty (30) Days after Delivery of the Petroleum, or, in the case of failure to make Delivery, then within thirty (30) Days after a reasonable time for Delivery has elapsed; and suits arising out of such claims must be instituted against Carrier within one

## RULES AND REGULATIONS

hundred and eighty (180) Days from the date when notice in writing is given by Carrier to the claimant that Carrier has disallowed the claim or any part or parts thereof specified in the notice. Claims advanced beyond such one hundred eighty (180) Day period shall be null and void as between a Shipper and Carrier. As may be permitted by the *Limitations Act* (Alberta), in consideration of its Petroleum being transported under this Tariff, Shipper agrees to be bound by the provisions of this clause and hereby agrees to make any claim prior to the expiration of said period of thirty (30) Days or to bring any action prior to the expiration of the said period of one hundred eighty (180) Days and that such periods shall be the limitation periods for purposes of the *Limitations Act* (Alberta).

### ARTICLE 17 REPRESENTATIONS AND WARRANTIES

- 17.1 Carrier represents and warrants that it shall operate its system in accordance with Prudent Practices.
- 17.2 Shipper represents and warrants that: (i) it has in place for all Tendered Petroleum all required approvals, permits and authorizations for the removal and transportation of Petroleum under this Tariff; (ii) it owns or controls, has the right to Tender or have Tendered for its account, the Petroleum that is Tendered to Carrier; (iii) it shall indemnify and hold harmless Carrier against all claims, actions or damages arising from any adverse claims by a third party claiming ownership or an interest in the Petroleum Tendered to Carrier; (iv) it will pay Carrier all amounts due under this Tariff by the Payment Due Date.

### ARTICLE 18 GOVERNING LAW

- 18.1 This Tariff shall be construed and applied in accordance with and be subject to the laws of the Province of Alberta, and, where applicable, the laws of Canada, and shall be subject to the rules, regulations, decisions and orders of any Governmental Authority. Each Party hereby irrevocably attorns to the jurisdiction of the courts of Alberta and the courts of appeal therefrom in the event of any such action, suit or other proceeding by the other Party relating to a Contract, the Toll Schedule, or this Tariff. The Parties specifically and knowingly waive a trial by jury and any such controversy shall be litigated before a trial judge.

### ARTICLE 19 FINANCIAL ASSURANCES

- 19.1 **Request for Information** When not publically available, Carrier may at any time request, and any prospective or existing Shipper shall provide information, including for certainty; quarterly and annual financial statements with accompanying financial statement notes, to Carrier that will allow Carrier to determine the prospective or existing Shipper's capacity to perform any financial obligations that could arise from the transportation of that Shipper's Petroleum under the terms of this Tariff, including the payment of transportation charges, equalization obligations and negative Shipper's Balance positions. Carrier may, at its sole discretion, refuse to accept Petroleum for transportation from an existing or prospective Shipper if Shipper or prospective Shipper fails to provide the requested information to Carrier within five (5) Days of Carrier's written request.
- 19.2 **Requirement to Provide Financial Assurances** If a Shipper fails to pay a Monthly invoice issued by Carrier within five (5) Business Days of the Payment Due Date, or if Carrier, in its sole discretion, reasonably determines that: (i) the existing or prospective Shipper's financial condition is or has become impaired or unsatisfactory; (ii) any Financial

## RULES AND REGULATIONS

Assurances previously provided by a Shipper no longer provide adequate security for the performance of Shipper's obligations that could arise from the transportation of its Petroleum under the terms of this Tariff; or (iii) Carrier otherwise determines that it is necessary to obtain Financial Assurances from the Shipper, then Carrier may, upon written notice to a Shipper, require Shipper to provide one or more Financial Assurances to Carrier in the form as determined by Carrier in its sole discretion. Carrier shall not be obligated to accept Petroleum for transportation from an existing or prospective Shipper if the Shipper or prospective Shipper fails to deliver the Financial Assurances to Carrier within five (5) Business Days of Shipper's receipt of Carrier's written request for such Financial Assurances. Failure to provide such Financial Assurance within five (5) Business Days of Shipper's receipt of such request shall entitle the Carrier to withhold and set off any amounts payable against any amounts owed to the Shipper and may result in the termination of the Contract.

- 19.3 **Attributes of Financial Assurances** The Financial Assurance shall be for an amount determined by the Carrier, in its sole discretion, acting reasonably and shall include all charges and costs as provided for in this Tariff or otherwise lawfully due to Carrier including but not limited to transportation charges, equalization obligations, and negative Shipper Balance positions. In the case of a Letter of Credit, such Letter of Credit must remain in effect for a period of not less than twelve (12) Months and a replacement Letter of Credit must be provided by Shipper to Carrier not less than thirty (30) Days prior to the expiry of the then current Letter of Credit.

### ARTICLE 20 DILUENT

- 20.1 Carrier may add such diluent or other additives at Receipt Points or other locations on Carrier's system as Carrier determines is advantageous and/or required for the operation of Carrier's system or to meet a prescribed blended stream density or quality specification. As a condition to accepting Petroleum, Carrier may require of those Shipper's Tendering Petroleum at Receipt Points to be specified by Carrier and/or Tendering Petroleum having a density or quality in excess of parameters specified by Carrier, to provide for each Month the volume of diluent, of a type and quality acceptable to Carrier, commensurate with the volume and density or quality of Petroleum Nominated by Shipper, prescribed to be provided for such Month by Carrier. Shipper shall be responsible for the blending shrinkage resulting from adding such diluent to be determined in accordance with subsection 7.3(d).

### ARTICLE 21 NON-PERFORMANCE PENALTY

- 21.1 Carrier shall be entitled to charge Shippers a non-performance penalty in accordance with the following provisions:
- (a) In Months of apportionment, all Nominations that are apportioned shall have the non-performance penalty applied, at a rate to be specified in the applicable Toll Schedule, to that portion of shortfall in Tenders by a Shipper that exceeds five (5) percent of that Shipper's apportioned Nomination. However, the non-performance penalty will not be applied to that portion of shortfalls caused by Force Majeure events or restrictions imposed by parties downstream of Carrier arising from capacity apportionment or Force Majeure.



## **RULES AND REGULATIONS**

- (b) At any time up to twenty (20) Days following receipt of the notice referred to in subsection 13.5(a) Carrier will issue written notice to Shipper informing Shipper in the event Carrier disputes all or a portion of Shipper's claim of Force Majeure. Carrier shall invoice Shipper for the amount of the non-performance penalty calculated in accordance with subsection 21.1(a) and Shipper shall be obligated to make payment of the invoiced amount.

# RULES AND REGULATIONS

## Schedule "A" to Tariff No. 106 Receipt Point Quality Specifications

Issued: June 1, 2018

Effective: July 1, 2018

Petroleum Tendered to Receipt Points shall meet the specifications as outlined in Table #1 at all times. Shipper may be subject to adjustments and/or penalties, at Carrier's sole discretion, if such specifications are not complied with at all times pursuant to the provisions of Section 4.2 of this Tariff.

Table #1

Specification	Unit of Measure	Test Method Note 11	Receipt Point Limits by Stream						
			BRPL			CAPL		MSPL	
			HS	BR	HL	CAL	CSW	SW	Heavy
Density	kg/m <sup>3</sup> @15°C	API Ch.9	≥875.0, ≤940.0	Note 1	≤876.0 Note 2	≤876.0 Note 2	≤876.0 Note 2	≤876.0 Note 2	Note 1
Vapour Pressure	kPa Note 8	ASTM D6377	≤95, or; ≤103 Note 8	≤95, or; ≤103 Note 8	≤ 95 Note 8	≤95, or; ≤103 Note 8	≤95, or; ≤103 Note 8	≤95, or; ≤103 Note 8	≤95, or; ≤103 Note 8
Sediment & Water	vol% Note 7	ASTM D4007 Centrifuge	< 0.5	< 0.5	< 0.5	< 0.5	< 0.5	< 0.5	< 0.5
Water	vol% Note 7	ASTM D4377, D4928	n/a	< 0.3	n/a	n/a	n/a	n/a	< 0.5
Sulphur	g/kg	ASTM D4294	≤40.0	None	None	≤12.0 > 5.0 Note 3	≤5.0 Note 4	≤ 5.0	None
Viscosity	cSt Notes 5 & 6	ASTM D7042	≤ 350.0 ≥ 10.0	≥ 10.0	≥ 10.0	<20	<20	<20	≥ 10.0
Receipt Temperature	°C	API Chapter 7	≥ 5.0 ≤ 38.0 Note 9	≥ 25.0 ≤ 38.0 Note 9	≥ 5.0 ≤ 38.0 Note 9	≥ 5.0 ≤ 38.0 Note 9	≥ 5.0 ≤ 38.0 Note 9	≥ 5.0 ≤ 38.0 Note 9	≥ 25.0 ≤ 38.0 Note 9
Total Acid Number	mgKOH/g	ASTM D664, D8045	None	≤ 1.1	≤ 0.5	≤ 0.5	≤ 0.5	≤ 0.5	≤ 1.1
Organic Chlorides/ Halides	ppmw	ASTM D4929	< 1.0	< 1.0	< 1.0	< 1.0	< 1.0	< 1.0	< 1.0
Untreated Cracked Petroleum	vol%	ASTM D1319	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Maximum Volatile Phosphorus	ppmw	Note 10	< 1.5	< 1.5	< 1.5	< 1.5	< 1.5	< 1.5	< 1.5
Hydrogen Sulphide	ppmw	ASTM UOP163	< 425	< 425	< 425	< 425	< 425	< 425	< 425

## RULES AND REGULATIONS

### Notes to the Receipt Point Quality Specifications:

1. Shipper shall advise Carrier prior to addition or deletion of volumes Tendered that would shift the density of the Petroleum Tendered at the Receipt Point by greater than 10.0 kg/m<sup>3</sup>.
2. The density of Petroleum Tendered at the Receipt Point shall not exceed 876.0 kg/m<sup>3</sup> unless the production source has been given an exemption in writing by Carrier to be outside of this specification. Shipper shall advise Carrier prior to addition or deletion of volumes Tendered that would shift the density of the Petroleum Tendered at the Receipt Point by greater than 10.0 kg/m<sup>3</sup>.
3. The sulphur content of Petroleum Tendered to the CAPL-CAL stream at the Receipt Point shall not exceed 12.0 g/kg (1.20% wt) or be less than or equal to 5.0 g/kg (0.5% wt) unless the production source has been given an exemption in writing by Carrier to be outside of this specification. Shipper shall advise Carrier in writing and provide an updated Petroleum quality analysis pursuant to subsection 4(a) of "Schedule B" of this Tariff prior to the addition or deletion of volumes that would shift the sulphur content of the Petroleum Tendered at the Receipt Point by greater than 2.0 g/kg (0.20% wt) from the most recently submitted quality analysis to Carrier.
4. The sulphur content of Petroleum Tendered to the CAPL-CSW stream at the Receipt Point shall not exceed 5.0 g/kg (0.5% wt) unless the production source has been given an exemption in writing by Carrier to be outside of this specification. Shipper shall advise Carrier in writing and provide an updated Petroleum quality analysis pursuant to subsection 4(a) of Schedule "B" of this Tariff prior to the addition or deletion of volumes that would shift the sulphur content of the Petroleum Tendered at the Receipt Point by greater than 2.0 g/kg (0.20% wt) from the most recently submitted quality analysis to Carrier.
5. The temperature ("x") for determination of the maximum viscosity limit shall be equal to the Enbridge Reference Temperature in effect at the time that the Petroleum is Tendered.
6. The temperature ("x") for determination of the minimum viscosity limit shall be equal to the greater of the temperature at which the Petroleum is Tendered or 20.0 °C.
7. The sediment and water content shall typically be determined by the centrifuge method in accordance with API MPMS Chapter 10.3 or 10.4 however, if the Petroleum Tendered has a density greater than 940 kg/m<sup>3</sup> at 15.0°C then, at its sole discretion, Carrier may use the Coulometric Karl Fisher Titration ("KF") method, in accordance with API Manual of Petroleum Measurement Standards, Chapter 10.9, for water content determination (latest revision). Since the KF method does not identify the solids content, in those situations where the KF method is used to determine the water content, the solids content shall be determined in accordance with the above noted centrifuge methods and the total sediment and water content shall be the sum of the solids content and the water content so determined. Notwithstanding the above, Carrier reserves the right to utilize other industry accepted testing methods at Carrier's discretion including any subsequent revisions to API or ASTM testing methods or inline sediment and/or water content measurement instrumentation.

## RULES AND REGULATIONS

8. The vapour pressure shall be determined per ASTM D6377 testing methods or at the Carrier's discretion the most recent industry accepted testing method. The maximum allowable vapour pressure is determined by the following schedule:
  - a.  $\leq 95.0$  kPa from May 1 to September 15 of the applicable calendar year
  - b.  $\leq 103.0$  kPa from September 16 to April 30 of the applicable calendar year

in the event of a vapour pressure specification change by a downstream Delivery Point, the Carrier may revise the Receipt Point quality specifications outlined in Schedule "A" in accordance with Section 4.3 of this Tariff.
9. The minimum and maximum temperatures of Petroleum Tendered shall fall within these limits unless otherwise agreed to and specified in writing by Carrier. The temperature of the Petroleum shall be determined in accordance with the API Manual of Petroleum Measurement Standards, Chapter 7 (applicable section and latest revision).
10. The volatile phosphorus content shall be determined per the "Test Method for Determination of Organo-Phosphorus in Volatile Distillates of Crude Oil by Inductively Coupled Plasma (ICP) Optical Emission Spectrometry" dated 2006/09/11 (or latest updated version) which was developed by Maxxam Analytics and the Canadian Crude Quality Technical Association.
11. Carrier reserves the right to utilize other industry accepted testing methods at Carrier's discretion including any subsequent revisions to applicable testing methods or inline measurement instrumentation.

# **RULES AND REGULATIONS**

## **Schedule “B” to Tariff No. 106**

### **Quality Equalization Procedures**

Issued: June 1, 2018

Effective: July 1, 2018

- 1) Any capitalized word or term used in this Schedule, but not herein defined, shall have the definition attributed thereto in the Rules and Regulations to which this Schedule is attached.
- 2) If Carrier elects, in accordance with Section 5.3 of the Rules and Regulations, to provide quality equalization services, unless otherwise provided for herein or unless other procedures are agreed to between Carrier and Shippers of a stream, Carrier shall perform quality equalizations in accordance with (hereinafter referred to as the Procedures Guide);
  - a) “The Canadian Crude Oil Quality Equalization Process Procedures Guide” (as may be revised from time to time) for crude oil streams, or
  - b) “The Canadian Condensate Equalization Process Procedures Guide”, (as may be revised from time to time) for segregated condensate streams. .
- 3) Carrier may from time to time convene a meeting of the current Shippers of a particular stream to solicit their input to any quality equalization procedures then employed by Carrier or proposed to be implemented or revised by Carrier. Any Shipper or Shippers representing in aggregate a minimum of 25% of the volume of a particular stream may request that Carrier convene a meeting of all Shippers of that stream to review the procedures then employed by Carrier to conduct quality equalizations hereunder. Upon receipt by Carrier of Shipper's request under this Clause, Carrier shall convene a meeting of all Shippers of a particular stream at which any Shipper may propose amendments to the procedures then employed by Carrier to conduct quality equalizations with respect to that stream. Should any amendment proposed at a meeting convened under this Clause receive the approval of Shippers, Carrier shall thereafter amend its quality equalization procedures accordingly.
- 4) To enable the quality equalization services permitted hereunder and to optimize the accuracy thereof:
  - a) Carrier shall endeavor to provide, or cause to be provided, no less often than biannually unless otherwise specified by Carrier, for each source facility Tendering Petroleum to a Receipt Point operated by Carrier, a quality certificate from an independent laboratory providing the following information determined on tests and analyses of representative samples of Petroleum from such facility:
    - i) the density (in kg/m<sup>3</sup>), to be used for reference only,
    - ii) the sulphur content (in % mass or gm/kg),
    - iii) the butane content (in % volume), for segregated condensate streams only, and
    - iv) the sediment and water content, with analysis differentiated between sediment and water (in %volume), and
    - v) such other information reasonably required by Carrier to conduct quality equalizations.

## RULES AND REGULATIONS

- b) In place of the density shown on a quality certificate, Carrier shall use the Monthly volume-weighted average density of the Petroleum Tendered from each source facility, determined in accordance with the sampling and testing provisions of Article 7 of this Tariff, for the quality equalization calculations. Carrier shall use any updated quality certificates for sulphur and butane content information in the subsequent quality equalization calculations (i.e. advance notice to Shipper of a quality shift is not required).
  - c) At each time when a significant shift in the quality of Petroleum Tendered or to be Tendered occurs, or is expected to occur, and at such other times as may be directed by Carrier acting reasonably, Shipper shall in the presence of Carrier obtain representative samples of the Petroleum Tendered to a Receipt Point and conduct, or cause to be conducted, tests and analyses by a mutually agreed upon independent laboratory of such samples of Petroleum and submit certificates therefrom to Carrier providing the information identified in 4(a)(i) thru (iv).
  - d) Carrier may require from any connected upstream pipeline, truck terminal, cleaning plant or other facility designated by Carrier that is providing quality equalization services for its customers that the operator of such facility provide its statement, for each Month, showing the stream quality adjustment factor (generally referred to as Weighted Average Differential Factor or WADF) in dollars per cubic metre ( $\$/m^3$ ) for the Petroleum Tendered from such facility to Carrier's system and the information identified in 4(a)(i) thru (iv). For each Month when there is a significant difference between the WADF from such upstream party and the quality adjustment factor derived from quality measurements by Carrier of the Tendered Petroleum, Carrier shall be entitled to use the results of such quality measurements in its quality equalization calculations in place of the WADF and qualities provided by the upstream party.
  - e) All quality certificates obtained by Carrier under this Schedule shall be deemed correct for all purposes unless and until a later quality certificate replaces it.
  - f) Unless otherwise agreed to by Carrier, all streams of Petroleum delivered to any source facility Tendering to Carrier's system shall be deemed to have the composition and quality of the Petroleum Tendered from such facility.
- 5) Each Shipper shall fully co-operate with Carrier and specifically hereby grants to Carrier the right of access to any facility employed by such Shipper with respect to such Shippers Petroleum and authorizes the sampling by Carrier of same. A Shipper may, by written notice to Carrier, dispute any such results in which event Shipper, at its sole cost may, in the presence of Carrier, take a representative sample from the facility in question, have the same analyzed by a mutually agreed upon independent laboratory, and provide Carrier with a copy of the certificate of analysis thereof. Carrier and Shipper shall adhere to the "Quality Dispute Resolution Procedures" in the Procedures Guide to resolve significant differences in quality.
- 6) Wherever references in this Schedule or the Procedures Guide are made to "significant" quality differences or "significant" quality changes, "significant" shall have the meaning specified in the Toll Schedule of the applicable stream or system.
- 7) If, through no fault of its own, Carrier is unable to obtain a representative sample of the Petroleum or a certificate of analysis for the Petroleum Tendered to Carrier's system, Carrier shall assign a penalty quality to the Petroleum Tendered by such facility until such time as a representative sample is obtained and analyzed or a valid certificate of analysis is received from Shipper. The penalty quality shall use the Monthly volume-weighted average density of the Tendered Petroleum and a sulphur content, and butane content if applicable, equal to the

## RULES AND REGULATIONS

poorest qualities of the other Petroleum Tendered into the same stream. No retroactive adjustments will be made due to the assignment of a penalty quality.

- 8) Carrier assumes no liability for errors made in any quality equalization hereunder due to the fraud, mistake or any misrepresentation of any person to Carrier of the quality or composition of any Petroleum Tendered to Carrier's system.
- 9) Carrier shall use reasonable efforts to provide notice to Shippers setting out the quality equalization scale parameters to be used for each stream a minimum of 40 Days prior to the Monthly Nomination Date of the Month to which the revised scale parameters shall apply.
- 10) For each Month for which Carrier provides quality equalization services, Carrier shall calculate, using the quality adjustment scale parameters in effect from time to time for each stream, and provide all Shippers of each stream with a quality equalization statement and associated invoice for the quality adjustment charges and the quality equalization administration fees specified by Carrier. Where, due to any quality equalization services conducted by Carrier hereunder;
  - a) Shipper is required to make a payment to Carrier, payments shall be made by Shipper to Carrier on or before the date specified in the Procedures Guide, or
  - b) Carrier is required to make payment to Shipper, payments shall be made by Carrier to Shippers so entitled by the date specified in the Procedures Guide unless all quality equalization payments due to Carrier are not received by it by the date specified in the Procedures Guide in which case such payments shall be made within ten (10) Days from the date of Carrier's receipt of all quality equalization payments due Carrier.
- 11) Amounts payable pursuant to this Quality Equalization Procedure shall not be offset against other amounts payable between Carrier and Shippers including, but not limited to, payment for tolls, tariffs or other transportation charges on Carrier's System.
- 12) Any Shipper may, through an independent firm of chartered accountants (having offices in at least ten Canadian cities) or other Person acceptable to Carrier, cause the books and records maintained by Carrier to be inspected to confirm that Carrier is correctly recording, and implementing, the quality equalization procedure in force from time to time. Any such inspection shall be conducted during Carrier's normal business hours and only after written notice of Shipper's intention to do so has been given to Carrier. The Person conducting such inspection may confirm, or dispute, that Carrier is administering its quality equalization procedures correctly, but shall not disclose and shall retain as fully confidential the information provided to it under this Clause.
- 13) Carrier shall be entitled to charge each Shipper Tendering Petroleum into a stream or segment of Carrier's System for which Carrier provides quality equalization services a quality equalization administration fee for sampling and testing, maintaining the data, computing the quality equalization and administering required receipts and payments among Shippers. This fee, as may be adjusted from time to time, shall be posted by Carrier on its Toll Sheets and the charge shall be shown separately on Carrier's quality equalization statements.